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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Common Council
City of Rochester, Minnesota

We have audited the accompanying general purpose financial statements of the City of Rochester, Minnesota, as of and for the year ended December 31, 2000, as listed in the Financial Section of the table of contents. These general purpose financial statements are the responsibility of the City of Rochester, Minnesota, management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance auditing standards and the standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Rochester, Minnesota as of December 31, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2001 on our consideration of the City of Rochester, Minnesota's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Honorable Mayor and Common Council
City of Rochester, Minnesota
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Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the Financial Section of the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Rochester, Minnesota. Such additional information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Smith, Schaefer and Associates, Ltd.

Rochester, Minnesota
May 4, 2001